



Coeli Likviditetsstrategi - Fund manager comment as of 31 December, 2018

Likviditetsstrategi retreated with 0.18 percent during December. The result for 2018 is thus summed to an increase in NAV per share of 1.31 percent. The trend in the Nordic corporate bond market was once again negative in December, with increasing credit spreads and falling bond prices. The activity in the market was low in general, with few new issues and low liquidity in the secondary market.

The largest contributor of the month was the airline Icelandair, whose bonds appreciated after the company reached an agreement with the bond investors after previous violations of certain covenants. The agreement entails, among other things, that the bond will be repaid during 2019. In addition, Icelandair reported that financing was secured for a couple of new ordered aircraft, which immediately strengthens the company's liquidity.

During the month, the fund benefited from positive contributions from the holdings of covered bonds from, among others, Nordea Hypotek and Swedbank Mortgage. Investments in commercial papers, which make up about 34 percent of the portfolio, also made small but positive contributions to the result.

On the negative side, most of the fund's holdings of corporate bonds fell in value as a result of the generally increasing credit spreads. The declines were broad without any individual company distinguishing itself. At the industry level, financials and real estate companies had the greatest negative impact on earnings.

During the month, new investments were made mainly in commercial papers from Scandic Hotels and Fastpartner, among others, as the allocation to money market instruments was increased. The holding of covered housing bonds was also slightly increased. The management work continues to focus on limiting the risk in the fund.

During December both the Federal Reserve (Fed) and the Riksbank chose to raise their respective policy rates. The Fed's decision to raise the policy rate by 25 basis points to the range 2.25 - 2.5 percent was broadly expected; instead, the market's focus was on the expected hikes in 2019. It was shown that there probably will be two hikes during next year, a decrease from the previously indicated three hikes. The market responded in a somewhat negative manner sending S&P 500 down by 1.5 percent on the same day, while long-term interest rates fell slightly. This suggests that the market had hoped for a slightly softer tone.

Simultaneously, the Riksbank chose for the first time since July 2011, to raise the repo rate by 25 basis points, to -0.25 percent. The hike was reasonably expected, since a hike in either December or February was announced earlier in the autumn. The Riksbank also lowered the growth forecast for 2019 from 1.9 to 1.5 percent and inflation expectations slightly lowered to just under 2 percent (excluding energy). According to the forecast, the next hike is likely to occur in the second half of 2019, with two increases per year thereafter. The Riksbank, however, emphasized that, "The pace of the interest rate hikes going forward will be adjusted to how the economic and inflation prospects develop."

On the other hand, the ECB chose to leave its policy rate unchanged at the same time as the program for bonds purchase ended at the turn of the year. However, the ECB intends to maintain its extensive bond portfolio and indicates that reinvestments will continue until an interest rate hike is in place, which the market prizes in 2020.

In the credit markets, the gloomy tone of previous months continued with rising credit spreads and falling bond prices. However, long-term government bonds fell slightly, with returns on US ten-year government bonds falling to 2.65 percent from levels around 3 percent at the end of November, while the Swedish was marginally combined from 0.5 to around 0.46 percent.

The three major challenges that have affected the market during October and November, trade disputes between the United States and China, Brexit, and Italy's budget negotiations, have started to loosen up. The United States and China have decided on a halt to increased tariffs until March and, meanwhile, to negotiate a trade agreement. In Italy a budget was voted through Parliament. However, Brexit remains in negotiations for the new year.



Gustav Fransson, förvaltare av
Likviditetsstrategi.

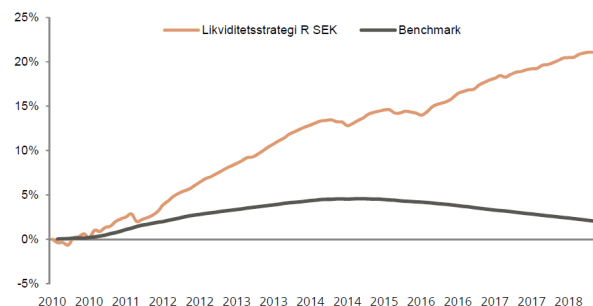
Fund Overview

Inception Date	2010-05-01
Management Fee	0 %
Performance Fee	Yes
Risk category	1 of 7
Benchmark	OMRX T-Bill

Top Holdings (%)

WHITE MOUNT FRN 17-22.09.47	3,1%
LANSBK 3.25% 13-16.09.20	3,0%
LANSBK 1.75% 14-15.09.21	2,9%
SAGAX FRN 17-15.02.22	2,8%
NORDEA HYP 1% 15-08.04.22	2,5%

Performance
Performance in Share Class Currency (SEK)



Performance in Share Class Currency	1 Mth	YTD	3 Yrs	Since Incep
Likviditetsstrategi - R SEK	-0.18%	1.31%	5.66%	20.82%
Benchmark	-0.09%	-0.81%	-2.22%	1.94%

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